



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

July 10, 1995

CERTIFIED RETURN RECEIPT
P 074 978 934

E. B. King
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730

Re: Topsoiling Deficiency Resolution & Interim Reclamation Surety, Jumbo Mining Company, Drum Mine, M/027/007, Millard County, Utah

Dear Mr. King:

Please accept our apology for the unforeseen delay in providing a more timely response to your recent topsoil replacement proposal. On March 9, 1995, Division and BLM staff met with Mr. Dave Hartshorn of Jumbo Mining Company (JMC) to perform a joint site inspection of the Drum Mine site. The inspection was conducted to evaluate several proposed topsoil borrow areas that JMC has identified to resolve the outstanding topsoil permitting deficiency.

During our inspection of the proposed borrow areas, it became evident that a sufficient volume of substitute topsoil material is available to make up the permitting deficiency. Mr. Hartshorn indicated he did not determine whether more than the required 55,000 cu. yd. volume of topsoil material was available. He agreed there is probably more topsoil material available from the borrow sites than what is presently required. Because it is unclear whether the existing heaps and associated disturbed areas were actually constructed as originally designed and approved under Western States Minerals Company's (WSMC) permit, it is possible that additional topsoil material may ultimately be needed to successfully reclaim the mine site disturbances. Accordingly, the Division encourages JMC to consider stockpiling additional topsoil material to assist in their final reclamation efforts. The Division and BLM jointly support the use of the proposed topsoil borrow areas for JMC's use in making up the topsoil deficiency.

As a condition to our approval of the topsoil borrow areas, the Division will require JMC to clearly mark/identify the borrow areas on the ground such that there will be little

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chance that the borrow areas will be adversely impacted during the continued period of suspended operations. Before beginning mining and processing operations that could potentially impact the borrow areas, the substitute topsoil material must be stripped and stockpiled.

An updated surface facilities map must be provided identifying where the salvaged topsoil material will be placed. The map should be labelled with the approximate volume of topsoil in each stockpile. Upon final reclamation of the mine site, all stockpiled topsoil material must be analyzed for the following constituents to determine basic soil fertility and the need for soil amendments: Texture, % Organic matter, pH, Nitrogen, Phosphorus, and Potassium. The results of the analytical tests will determine which soil amendments may be required to enhance the soil fertility and revegetative success.

The Division agreed to provide Jumbo Mining Company with a written assessment of our findings following our onsite inspection. We have also evaluated your draft reclamation cost estimate for stripping and stockpiling this borrow/topsoil material. A preliminary *interim* reclamation surety estimate has been prepared (see attachment). This estimate is based upon an escalation of the original approved WSMC surety estimate and JMC's subsequent supplemental permitting amendments to the Drum Mine permit.

The original WSMC estimate has been escalated from 1984 through 1994 using actual Means Historic Cost indices. Escalation adjustments have also been made to JMC's 1989 reclamation estimates, which involve other areas that were permitted or proposed to be included under the existing Drum Mine permit. A five year future escalation of the calculated 1995 interim surety amount totals \$425,200 (year 2000 dollars). *The Division and BLM reserve the right to increase or decrease this interim surety amount as pertinent circumstances, permitting conditions and/or mine plan modifications require requisite surety adjustments.*

In a March 25, 1992 response letter, JMC agreed to a stipulation/condition contained in DOGM's January 14, 1992 - 2nd technical review of the Mizpah Pit and New Heap permit amendments. The condition required JMC to provide an updated, reformatted and consolidated mining and reclamation plan/permit application. This updated plan would include all previous and subsequently approved Drum Mine permit revisions and amendments, within 6 months following DOGM's approval of the New Heap and Mizpah Pit permit amendments. On August 3, 1992, DOGM issued a conditional tentative approval for both amendments. To date, we have not received a sufficient response from JMC which would enable us to issue our final approval of these amendments. Therefore, these amendments remain unapproved.

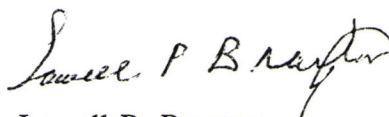
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Enclosed is a new permit transfer form that will need to be signed by JMC and Western States Minerals Company (WSMC), notarized and returned to the Division. The new form will affectively transfer all of the remaining permitting and reclamation responsibilities for the entire Drum Mine property from WSMC to JMC. The transfer form cannot be approved by the Division until a replacement surety is approved by the Board of Oil, Gas and Mining.

A new Reclamation Contract (FORM MR-RC) will need to be completed and returned along with the new surety. A copy of this form is enclosed. Please let us know what form of surety you wish to post, so that the appropriate surety forms can be sent to you. Because of the federal lands involved, the reclamation surety will need to be made jointly payable to Utah Department of Natural Resources, DOGM and the U.S. Department of the Interior, BLM.

Thank you for your patience and cooperation in completing this permitting action. Please contact me or D. Wayne Hedberg of the Minerals staff if you have questions or concerns in this regard.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb
Attachment: reclamation surety estimate
Enclosures: FORM MR-TRL, FORM MR-RC & Guideline
pc (w/attachment):

Rody Cox, BLM, Warm Spring RA
Lee Foreman, WSMC counsel
David Hartshorn, Jumbo - Drum Mine
Don Ostler, DWQ

M027007.tps

Buzz Gerrick, WSMC - Nevada

RECLAMATION ESTIMATE Jumbo Mining Company DRAFT

Drum Mine [entire site] last revision 06/28/95 page 'COMBO'

M/027/007 Millard County filename DRUM95.WQ2

Prepared by Utah State Division of Oil, Gas & Mining

Details of Final Reclamation

- This mine site was previously split into two permits with separate reclamation sureties
- Western States Minerals Co. had a bond covering 42 acres in the amount of \$264,080
- Jumbo had a separate bond covering 84 + 11 acres in the amount of \$162,000
- Western States' entire bond was retained until a topsoil deficiency could be resolved
- A Colorado Court ruling required Jumbo to assume responsibility for the entire site
- This estimate adjusts all previous DOGM estimates to be in current dollars and then escalates the current subtotal for five years into the future
- This estimate includes recent topsoil survey information as resolving the topsoil deficiency
- This estimate does not include the proposed amendment of Heap 2LG & 7 into Jumbo's plan
- WSMC's portion of Drum Mine-LG1/LG2/LG3/HG6/HG7/WASTE 10.6/WASTE 3.6/WASTE 5.2
- This estimate ASSUMES WSMC's site responsibility is correct in the DOGM May 22, 1989 estimate
- DOGM has adjusted the May 22, 1989 estimate to account for 55,000 CY of topsoil replacement

- Jumbo portion of Drum Mine-HG1/HG2/HG3/HG4&5/NORTH RIDGE PIT/SOUTHERN EXTENSION PIT/
WASTE DUMP 1.5/POWDER MAGAZINE/TRUCK POND/TOPSOIL STOCKPILE/SOLUTION PONDS/
OFFICE/OIL STATION/WATER TANK: \$130,230 1989-\$

- Jumbo - Alto/Keystone/Monarch/lbex: \$16,290 1988-\$

- Jumbo-Mizpah Pit: \$33,358 1992-\$; AND New Heap \$50,401 1992-\$ = > \$83,759 1992-\$

- Escalation factors through 1994 are actual Means Historical Cost Indices

WSMC'S PORTION OF ORIGINAL ENTIRE SITE

DOGM ADJUSTED EST. \$96,329

-Total disturbed area =
CALCULATIONS

$$F = P(1 + i)^n$$

F = Future Sum

P = Present Sum

i = Escalation Factor

n = number of periods

YR	ESCAL FACTOR	42.00 ACRES BOND AMOUNT
1985	0.0290	\$0
1986	0.0210	\$0
1987	0.0195	\$0
1988	0.0181	\$0
1989	0.0177	\$96,329
1990	0.0077	\$97,071
1991	0.0127	\$98,304
1992	0.0221	\$100,476
1993	0.0261	\$103,098
1994	0.0321	\$106,408
1995	0.0268	\$109,260
1996	0.0268	\$112,188
1997	0.0268	\$115,194
1998	0.0268	\$118,282
1999	0.0268	\$121,452
2000	0.0268	\$124,707

Three Yr Average = 2.68%

Used to Project 5 Yrs

Into the Future

From the Year 1995

Updated Surety Amount Rounded (2000 \$)

Average cost per acre =

2,969 (\$/ACRE)

\$124,700

JUMBO'S PORTION OF ENTIRE SITE

1989-\$ \$130,230

-Total disturbed area =
CALCULATIONS

YR	ESCAL FACTOR	83.90 ACRES BOND AMOUNT
1985	0.0290	\$0
1986	0.0210	\$0
1987	0.0195	\$0
1988	0.0181	\$
1989	0.0177	\$130,230
1990	0.0077	\$131,233
1991	0.0127	\$132,899
1992	0.0221	\$135,837
1993	0.0261	\$139,382
1994	0.0321	\$143,856
1995	0.0268	\$147,711
1996	0.0268	\$151,670
1997	0.0268	\$155,735
1998	0.0268	\$159,908
1999	0.0268	\$164,194
2000	0.0268	\$168,594

Updated Surety Amount Rounded (\$168,594)

Average cost per acre = 2,010 (\$/ACRE)

JUMBO-ALTO/KEYSTONE/MONARCH/IBEX

1988-\$ \$16,290

-Total disturbed area =
CALCULATIONS

$$F = P(1 + i)^{**}n$$

F = Future Sum

P = Present Sum

i = Escalation Factor

n = number of periods

Three Yr Average = 2.68%

Used to Project 5 Yrs

Into the Future

From the Year 1995

YR	11.00 ACRES	
	ESCAL FACTOR	BOND AMOUNT
1988	0.0181	\$16,290
1989	0.0177	\$16,578
1990	0.0077	\$16,706
1991	0.0127	\$16,918
1992	0.0221	\$17,292
1993	0.0261	\$17,743
1994	0.0321	\$18,313
1995	0.0268	\$18,804
1996	0.0268	\$19,308
1997	0.0268	\$19,825
1998	0.0268	\$20,356
1999	0.0268	\$20,902
2000	0.0268	\$21,462

Updated Surety Amount Rounded (2000 \$)

Average cost per acre =

\$21,500
1,955 (\$/ACRE)

COMBINED TOTAL IN 2000-\$ IS

\$425,200

JUMBO-MIZPAH PIT & NEW HEAP

1992-\$ \$83,759

-Total disturbed area =
CALCULATIONS

YR	36.40 ACRES	
	ESCAL FACTOR	BOND AMOUNT
1988	0.0181	\$83,759
1989	0.0177	\$85,242
1990	0.0077	\$85,898
1991	0.0127	\$86,989
1992	0.0221	\$88,911
1993	0.0261	\$91,200
1994	0.0321	\$94,100
1995	0.0268	\$96,684
1996	0.0268	\$99,275
1997	0.0268	\$101,936
1998	0.0268	\$104,667
1999	0.0268	\$107,473
2000	0.0268	\$110,353

Updated Surety Amount Rounded (

Average cost per acre =

\$110,400
3,033 (\$/ACRE)